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BUREAU OF INDUSTRY AND SECURITY

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Remarks as Prepared for Delivery by Under Secretary Estevez: Mount Fuji Dialogue

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Good morning and thank you for the warm introduction. I am thrilled to be here at the Mt. Fuji Dialogue, with friends and colleagues from the U.S. and Japan. Every year this summit helps to strengthen the relationship between our two nations. As we engage on a number of issues throughout this dialogue, I believe it is important to remember why we are here. The relationship between our two countries has been integral to ensuring global peace and security for our two nations, as well as for those in the broader Indo-Pacific region.

It is important to have friends during this time, as the world we live in remains a challenging place. One doesn't have to look far to see these threats — Russia's illegal war against Ukraine, the current crisis in the Middle East, and closer to where we stand, North Korea's continued belligerent actions, or China's threatening military modernization and economic coercion. These threats are further exacerbated by rapid changes in technology.

We cannot face these threats alone. It is important we rely on friends and allies to face these malign actors and make the world a safer place for the next generation.

Some of you may be wondering why an Under Secretary of Commerce in charge of export controls is speaking here today on these shared national security threats. Well, to explain that, let me quote US National Security Advisor Jake Sullivan, who noted that export controls, "if implemented, in a way that is robust, durable, and comprehensive, can be a new strategic asset in the U.S. and allied toolkit to impose costs on adversaries, and even over time degrade their battlefield capabilities."

I'll discuss how export controls are protecting our national security in a moment, but I think it is important to first look at the broader picture of how the United States is using both offensive and defensive tools to address this threat environment.

When I talk about offense, I'm not talking about military capabilities or our diplomatic efforts. Rather, on offense, we at the U.S. Department of Commerce are focused on securing and diversifying our supply chains. Since the COVID pandemic, it's been clear that we cannot rely on sole source providers. So, we're using the CHIPS and Science Act to help assure some level

of semiconductor production is available to the United States in time of need. We're also looking at the supply of rare earth minerals.

We cannot do this alone, and we are working with allies, including through dialogues with partners in Japan, Korea, Australia, and Europe, to develop secure supply chains free from economic coercion or adversarial action.

I now want to turn to our defense strategies, chief of which is the use of export controls. For almost two years, I have had the privilege of serving as an Under Secretary at the U.S. Department of Commerce, where I lead the Bureau of Industry and Security, or "BIS" for short.

BIS is responsible for administering and enforcing U.S. export controls of dual-use technologies, which include items that can have both military and commercial applications. We've long operated at the nexus of national security, technology, and global commerce. And we've been quietly doing this work for decades, writing and implementing export controls, regulating our most critical dual-use items, and working with international partners to ensure our collective safety.

And yet, up until recently, few had even heard of us. Now, all you have to do is open up a newspaper in the United States or Japan to see just how much times have changed. The reason for that is twofold — the pace of technological advancement has increased, and so have the threats related to the misuse of these technologies. In an increasingly fast-paced and ever-evolving technological landscape, export controls can be a differentiator to address our national security concerns.

The growth in the importance of export controls as a national security tool mirrors the dynamic of military useful technology. This transition has been going on since before the Berlin Wall came down. Through the 1980s, Military dollars largely drove research and development in the United States. Even when you look specifically at the semiconductor space, originally, the Department of Defense was the main buyer of semiconductors. Of course, that has reversed; the defense industry ecosystem now looks to the commercial sector for innovations that are useful. Technology and commercial research and development from the private sector is the driving force behind the innovation ecosystem.

If we are to face both the rapidly evolving pace of technological development and the actions of actors of concern like Russia, China, North Korea, or Iran, who are desperately trying to obtain advanced technologies, we must be strategic in our actions, coordinated in our controls, and make sure we react quickly to face challenges as they arise.

In addressing these challenges, I want to make clear that we are not using export controls for economic protectionism. We are laser focused on national security, and the controls we put in place are focused on select advanced technologies that have strategic applications. We are strictly adhering to the small yard, high fence concept in applying our export controls.

As examples of our strategic uses of export controls, I would like to highlight important national security issues that we have worked to address – Russia’s illegal and immoral invasion of Ukraine, and China’s military modernization and other destabilizing activities.

Russia’s actions in Ukraine have posed a significant threat to the world order and the physical security of the U.S. and its partners, not to mention the horrific impact on the people of Ukraine. Since the beginning of the invasion, Japan, the United States, and 37 other international partners came together in an unprecedented fashion to stand with the people of Ukraine. Japan has been a critical partner and valued member of our Global Export Controls Coalition, where we are impeding Russia’s ability to reconstitute and sustain its weapons systems, through essentially a blanket denial of the tools and technologies essential to their ability to wage war.

At this point, international enforcement of these controls is paramount to their success. Back in April, the Departments of Commerce and Treasury, along with our Japan counterparts, convened a meeting of the G7 countries to announce a new enforcement mechanism that would allow enhanced analytics of evasion strategies, information sharing on diversion through third countries, and best practices for compliance and enforcement. We are working diligently to tackle diversion networks.

Our goal has been to choke off exports of technologies and other items that support Russia’s defense industrial base and to degrade Russia’s military capabilities and ability to project power. The impact of our export controls will only increase over time as Russia is unable to repair, replace, and replenish its military hardware. We’ve already seen substantial impacts of our actions to date. And it is critical that the United States, Japan, and other like-minded countries continue to assess the effectiveness of our controls and our ability to prevent circumvention of the controls.

The blanket denial strategy we’re using against Russia is not a one-size fits-all strategy for dealing with every potential adversary. It’s important we take a targeted and nuanced approach with each scenario we encounter. This is very true for the way we address the challenges posed by the People’s Republic of China and its military modernization, fueled by its military-civil fusion strategy that obfuscates the actual end use of technology it imports.

We have long maintained export controls to address the use of U.S. technologies in military applications, weapons of mass destruction activities, and actions impacting human rights. However, in October of last year, we imposed new targeted controls to address the use of key, force-multiplying technologies related to semiconductor manufacturing and advanced computing semiconductors. These technologies are crucial to developing the next generation of advanced weapons systems and to integrate artificial intelligence into military decision making and planning.

Even with these new controls, we remained targeted in our approach. As I mentioned, our mentality is that of a small yard with a very high fence – where we focus on protecting the technologies that truly matter, which enable us to make sure the fence is strong and secure. And again, these controls were put in place to protect our national security and that of our allies. China remains one of our largest trading partners and we do not aim to impede economic growth.

However, we must protect certain key technologies. Earlier this week, we updated last year's advanced semiconductor controls to address technological advances in semiconductors and artificial intelligence as well as diversion tactics that can be used to circumvent our existing controls. Through these updates, we hope to ensure that our controls are better positioned to control advanced computing chips needed for supercomputing applications and the development of artificial intelligence large language models for military purposes or advanced surveillance capabilities.

We're looking at updating these rules annually, as we execute our targeted strategy to control technology and impede modernization of the PRC military. This is our focus.

In closing, we must continue to work together to maintain effective multilateral processes to innovate, manage our supply chains, and protect technologies that could be used by our adversaries against us.

Japan continues to be one of our most important allies in controlling advanced technology. We look forward to continuing to work together on ensuring the security and safety of our two nations and our partners in this region.

The stronger our coordination and partnership, the higher chance we have for success.

Thank you for having me here this morning, it has been an honor to speak with you.